Annual Information Form

May 8, 2019

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes forward-looking statements about Dealnet Capital Corp. (“Dealnet” or the “Company”), including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to targets for growth of the consumer finance receivable portfolio, annual revenue and margin growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘budgeted’, ‘estimates’, ‘forecasts’, ‘targets’ or negative versions thereof and similar expressions, and/or state that certain actions, events or results ‘may’, ‘could’, ‘would’, ‘might’ or ‘will’ be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company’s operations, economic factors and the industry generally, as well as those factors referred to in the section entitled “*Risk Factors*”. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company.

Forward-looking statements and information in this Annual Information Form include, but are not limited to, statements with respect to:

- Dealnet’s expectations regarding its revenue, expenses and operations;
- Dealnet’s anticipated cash needs and its needs for additional financing;
- Dealnet’s implementation of new technologies;
- Dealnet’s plans for and timing of expansion of its services;
- Dealnet’s future growth plans, including growth resulting from acquisitions;
- Dealnet’s expectations regarding its origination volumes;
- Dealnet’s ability to attract vendor relationships and new customers and to develop and maintain relationships with existing customers;
- Dealnet’s anticipated delinquency rates and credit losses;
- Dealnet’s ability to attract and retain personnel;
- Dealnet’s present intention not to pay regular dividends on its common shares;
- Dealnet’s competitive position and its expectations regarding competition;
- Anticipated trends and challenges in Dealnet’s business and the markets in which it operates.

The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Although Dealnet believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Dealnet cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither Dealnet nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements and information. Some of the risks and other factors, some of which are beyond Dealnet's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Annual Information Form, include, but are not limited to, those set forth under "*Risk Factors*" in this Annual Information Form.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Report. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.

INTRODUCTION

Dealnet is a specialty finance company serving the $20 billion Canadian home improvement finance market. The Company develops and supports consumer sales financing programs for approved dealers and distributors under agreements with original equipment manufacturers (OEMs) that supply a wide range of home improvement products to the retail market. The Company underwrites, originates, funds and services the prime quality loans and leases that homeowners need to finance the acquisition and installation of capital assets that improve the quality, comfort and safety of their homes.

In addition, the Company provides customer support services on a contract basis to third party institutions in Canada and the US.

Dealnet has been listed on the TSX Venture Exchange since July 28, 2015 under the symbol “DLS”. Prior to its listing on the TSX Venture Exchange, the Company was listed on the Canadian Stock Exchange (“CSE”).

INCORPORATION AND ADDRESS

The Company was originally incorporated as Alexa Ventures, Inc. on September 8, 1986 under the laws of British Columbia. On October 28, 1999, the Company changed its name to Eiger Technology, Inc., and on November 17, 2000, continued its corporate status under the laws of Ontario. On May 28, 2008, the Company changed its name to Gamecorp Ltd. The Company changed its name to Dealnet Capital Corp. on September 4, 2012.

The common shares are listed for trading under the symbol “DLS” on the TSX Venture Exchange.

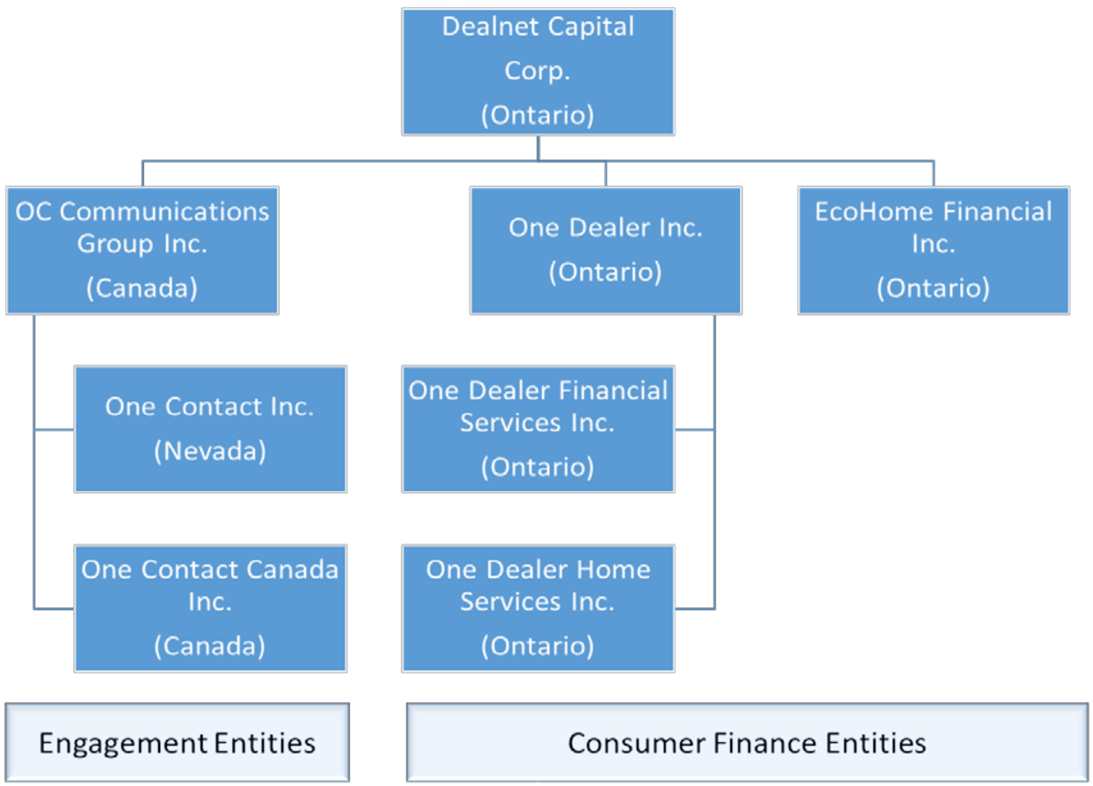
The head and registered office of Dealnet is located at 4 King Street West, Suite 1700, Toronto, Ontario, M5H 1B6. The Company carries on business in all provinces of Canada.

INTERCORPORATE RELATIONSHIPS

As at December 31, 2018, Dealnet was the beneficial owner of all of the capital of the following subsidiaries:

- OC Communication Group Inc. and its wholly-owned subsidiaries, One Contact, Inc. and One Contact (Canada) Inc. (collectively, "One Contact");
- One Dealer Inc. and its wholly-owned subsidiaries, One Dealer Financial Services Inc. and One Dealer Home Services Inc.; and
- EcoHome Financial Inc. ("EcoHome").

Dealnet's wholly-owned subsidiaries are as set forth in the following chart:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History of Dealnet

Over the last three years, the Company has had four primary areas of focus:

- Grow its consumer lending operations;
- Revitalize its call centre operations;
- Invest in technology to drive its ‘engagement-powered lending’ philosophy; and
- Manage and stabilize the Company’s liquidity and capital base.

Beginning in 2016, Dealnet significantly expanded its lending operation (which originally commenced in 2013 through the Company’s in-house brand One Dealer) with the acquisition of EcoHome in February 2016. With this purchase, the Company’s finance receivable portfolio grew from $2 million at the end of 2015 to $183 million by the end of 2018.

Dealnet also invested heavily in its lending platform, contract management system and on-line dealer portal to offer a seamless experience to our dealer base. Work on the automated support ‘chatbot’ powered by machine learning was completed, and the tool is now live and in production. This new tool allows dealers to ask questions about our platform, financing programs, and receive answers in real-time. Feedback from dealers regarding this new tool has been very positive, and more processes will be supported through chatbot as we move forward. The Company continues to refine and enhance its dealer platform in 2019.

Dealnet recently began a program to implement RPA (Robotic Process Automation) technology within our business. This program will ensure manual processes are automated, and scalable as we grow our business. The efficiency gains from this program will drive cost savings, and reduce the time it takes to process, and fund new credit applications. Work has started on this initiative, and internal process automations will roll-out throughout 2019.

Beginning in the first quarter of 2019, Dealnet launched a new customer-relationship management (“CRM”) system for our sales team. This system is fully integrated with our One Contact call centre systems. The CRM enables us to contact, engage with, and onboard new dealers effectively and efficiently.

The Company continues to expand its technological footprint within the AWS (Amazon Web Services) environment. The scalability of our dealer platform, combined with the cutting-edge tools, and services within AWS ensures that we are able to rapidly deploy new value-added features to our dealers that have a direct link to driving more originations for Dealnet.

The Company transformed its call centre operations over the last three years. The Company had completed a series of acquisitions in its live engagement segment starting in 2015. However, the Company recognized that certain of these acquisitions were not performing as expected and worked to resolve these concerns. By the end of 2018, the Company had rationalized its engagement business to focus on the One Contact portfolio, which generated a segment profit of $564 thousand in 2018.

In 2018, the Company also decided to monetize the increase in the value of its mobile engagement segment and utilize the proceeds from that transaction to support its Consumer Finance business.

With respect to overall operational costs, Dealnet worked to right-size its operations in 2018. This encompassed a significant reduction in permanent headcount and overhead costs to reflect efficiencies and process improvements that have been implemented as well as ensuring the Company is properly scaled to support the operations of Consumer Finance and Live Engagement going forward. As the Company has streamlined its employee base, management believes its staffing levels are now appropriate to support current and future growth. Going forward, the Company plans to focus on further improving employee engagement through ongoing training and development.

The Company has made a concentrated effort to streamline and improve its senior executive team to ensure the most effective leadership is in place to lead Dealnet into the future. This process has included hiring into new roles of General Counsel, Credit Risk Officer, and President of One Contact, as well as appointing a new Chief Financial Officer and Chief Technology Officer. The overall management team is now focused and committed on growing the organization and leading it into future success.

The Company aggressively reduced its annual overhead cost base by $12 million over the last year, from $25 million in the prior fiscal year to an annualized $13 million in 2018. Going forward, the Company will continue to focus on cost containment with the goal of maintaining a monthly run-rate of the current $1 million for salaries and general and administrative expenses and limiting growth at or below the rate of inflation, while further investing in digital technology to allow the Company to deliver its products and services faster and in a more cost effective manner. Dealnet also wound up its inactive subsidiaries Andover Insurance Ltd., AFS Holdings Inc. and Anu Insurance Agency Ltd.

Three Year History of Consumer Finance

2016 and earlier

Having acquired One Dealer and its subsidiaries at the start of 2013 and expanding its dealer network in 2014 and 2015, on February 18, 2016, Dealnet closed the acquisition of EcoHome from Chesswood Group Limited for total consideration of $34.5 million which consisted of: (i) $29 million in cash; (ii) 6,039,689 common shares of Dealnet valued at $2.9 million; and (iii) a two-year unsecured convertible vendor take-back note in the principal amount of $2.5 million, bearing interest at a rate of 6.0% per annum, convertible by the vendor into common shares of Dealnet at a price of $0.64 per share, which was amended in October of 2017. For further details of the acquisition, please see the Company's 2016 Consolidated Financial Statements available on SEDAR and the Business Acquisition Report, also available on SEDAR dated March 24, 2016. This transaction elevated Dealnet's consumer lending business to a competitive position in this sector.

2017

On January 13, 2017, the Company announced that it had closed a $27.6 million portfolio acquisition. The portfolio consists of consumer finance rental contracts valued at approximately $27.6 million from a prominent Ontario dealer who operates in one of the Company's key verticals. Total consideration for the portfolio was a cash payment on closing of $22.5 million less certain adjustments, along with the issuance of 12,523,364 common shares valued at $5.5 million.

During 2017, the Consumer Finance segment utilized its existing secured debenture facility structure to issue $20 million in debentures and extended a further $3 million scheduled to mature in April of 2017. While originally the entire $23 million in debentures was due in October of 2017, the due date was extended until January 11, 2018 and was repaid in full at that time.

During the fourth quarter of 2017, the Company announced the conclusion of a series of funding initiatives undertaken to support the Company's planned origination activity in 2018. These initiatives included:

- On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the remaining outstanding $2 million secured promissory note, and among other things, obtained an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million. The amended secured promissory note bears interest at the prime rate plus three per cent per annum, with specific monthly repayment provisions, and final principal repayment of $1 million due on the maturity date of October 16, 2020;

- On November 24, 2017, the Company renewed an existing securitization facility with a Canadian life insurance company funding partner (the "Lifeco Funding Partner") to provide for the investment by the Lifeco Funding Partner of up to $50 million in new secured home improvement loans and leases originated by the Company; Concurrently, the Lifeco Funding Partner agreed to provide the Company with an additional $15 million facility to complement the Company's existing warehouse funding facilities which are used to accumulate and season originated loans and leases prior to their securitization;
- On November 27, 2017, the Company renewed an existing securitization facility with a Schedule 1 bank (the "Bank Funding Partner") to provide for the investment by the Bank Funding Partner of up to $40 million in new secured home improvement loans and leases originated by the Company; and
- On December 22, 2017, Dealnet announced that it had closed a $12 million offering of 6% non-convertible senior secured debentures. Funds managed by Stornoway Portfolio Management Inc. ("Stornoway"), a Toronto-based asset management firm purchased $7 million (face value) as Lead Investor in the offering. Directors, managers and employees of the Company purchased approximately $3.7 million of the offering's face value. Proceeds from the offering were used to fund the Company's 2018 growth-oriented business plan, to reduce the Company's obligations to Chesswood by $2.5 million in February 2018 and for general corporate and working capital purposes.

2018

Driving profitable originations became the focus of the management team in the most recent fiscal year. Management focused on developing the right marketing strategy, staffing the sales force with the right people, designing the right financing products, and selecting the right dealer network to drive profitable growth. The Company made specific improvements in the following key areas:

1. Build the Best Dealer Offering

The Company reduced the average time to fund a new contract from 3.5 days to less than 24 hours and reduced by 50%, the number of steps required for dealers to submit a consumer application which results in a simpler application process without impacting the quality of originations.

2. Pick the Best Dealers

In 2017 the Company undertook a review of its dealer network and recognized that certain of these relationships were not resulting in positive outcomes for Dealnet. In the second quarter of 2017, the Company discontinued ten dealers that accounted for 15% of 2017's origination volume, and in November 2017, an additional group of dealers were discontinued. The Company then introduced new criteria to identify dealers that were more likely to provide a significant volume of quality and profitable originations.

The Company then introduced a digitized on-boarding process that made it easier and faster for new qualified dealers to get up and running on the portal. As a result, the average time from starting the on-boarding process to receiving the first origination submission from a new dealer has gone from 90 days to less than 30 days.

3. Expand our Market Reach

The Company recognized that while it was well positioned across the spectrum of market segments in the home improvement space, there were a couple of notable exceptions that it sought to expand into in 2018.

In the first quarter of 2018, the Company secured a license to operate in Quebec and opened its first office in that province on February 15th. Quebec's laws governing this industry are different than all other jurisdictions in Canada and required a dedicated funding source with an experienced leader to head up that market. A veteran sales executive was hired who has been serving Quebec's home improvement financing market for more than 7 years. Since launching in Quebec, dealers in Quebec have originated $7.6 million of contracts in 2018.

Another opportunity was new home construction. The Company developed a product that would be attractive in this market and made it available to its dealer network. The Company has started to receive originations through a number of builders and a new distributor who is well-established in serving this market.

4. Offer the Right Products

During the year the Company conducted a review of its product offerings based upon feedback from dealers and an internal analysis of customer attributes. This resulted in new risk-adjusted rate cards, the introduction of market-based fees, and increased transparency in our lease offering which was re-launched in May of 2018.

5. Build the Sales Force

There is now a team of sales professionals operating nationally who have industry experience in helping dealers sell equipment financing. The new team has extensive financing experience and also have contacts with new dealers which are being leveraged to expand the Company's dealer network.

6. Pricing for Profitability

Historically, the Company tried to win business with promotional discounted rates that resulted in limiting margins. Dealnet has modified its approach and reduced its reliance on promotional pricing to focus on a superior service-based approach. This has resulted in improved margins on new originations following the introduction of a new simplified rate card that includes risk-based pricing.

Dealnet's finance receivable portfolio has increased to $182.8 million as at December 31, 2018 from $170.7 million as at December 31, 2017, $137.5 million as at December 31, 2016, and $1.9 million as at December 31, 2015.

The Company's Consumer Finance segment originated $14.0 million in the fourth quarter, 22% higher than the $11.5 million of originations in the third quarter of 2018, and 20% higher than the $11.7 million originated in the fourth quarter of 2017. This represented our strongest quarter to date of organic originations in 2018. With the introduction of risk-based pricing and improving the overall dealer experience through continuous enhancements to the online dealer portal, the Company was able to generate this growth with improved credit quality and at a higher net interest margin.

Dealnet has combined the treasury, technology, and risk functions, along with overall origination capabilities to support a continued growth trajectory.

Three Year History of Engagement

Live Engagement

The Company acquired its initial live engagement assets in May 24, 2012 when it completed the acquisition of OC Communications Group Inc. ("One Contact"), a live engagement company with operations at the time in Ontario, Nevada and Florida. One Contact had an established seven-year track record of providing outsourced services such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. Through One Contact, the Company provides services to major brands both in Canada and the United States. One Contact primarily markets its live engagement services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have a large consumer base that requires ongoing customer services typically attached to e-commerce and technical support, as well as loyalty support services, all of which are provided by One Contact as an extension of the brands they support, on a white label basis.

The Company had sought to expand its live engagement operations with the acquisition of Gemma Communications LP and its related companies ("Gemma") in 2015. With offices in Toronto, Ontario and Montreal, Quebec, Gemma was a live engagement company with a long history of providing outbound customer acquisition services focusing on the financial services and telecom sectors. The acquisition of Gemma expanded the Company's live engagement offering, as well as giving the Company a presence in Quebec. However, since the acquisition, Gemma incurred on-going, significant operating losses. In late 2017, Dealnet started to explore various strategic alternatives to address these concerns. Management ultimately determined that Gemma's operational challenges could not be resolved and that there was no viable sales transaction available. As a result, on March 9, 2018, Gemma commenced an assignment in bankruptcy process pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada). This process had no impact on One Contact's operations.

Mobile Engagement

On July 1, 2014, the Company closed the acquisition of Impact Mobile, a technology and customer engagement company that provides end-to-end, mobile engagement solutions with carrier-grade messaging infrastructure to allow its clients to reach their mobile customers. In consideration for the acquisition, the Company issued at closing 5,500,000 common shares of the Company at $0.195 and $500 thousand in cash to the vendors.

On August 24, 2016, the Company's mobile messaging business purchased various mobile messaging contracts from an arms-length party for total consideration of approximately $894 thousand including 543,921 common shares valued at $294 thousand. These messaging contracts represented a strategic opportunity for the mobile messaging segment.

The value of the Impact Mobile business increased rapidly between 2014 and the end of 2017. While these operations were profitable, management recognized that it needed to focus its efforts on expanding its consumer finance portfolio which would require the Company having access to liquid resources. In early 2018, the Company commenced a process for the sale of Impact Mobile.

On July 6, 2018, Dealnet announced that it closed the sale of all of the issued and outstanding shares of Impact Mobile to IMImobile Canada Inc., a wholly-owned subsidiary of IMImobile PLC., for total cash consideration of $27.9 million. The sale significantly improved the Company's cash position and capital base, allowing it to focus on the core consumer finance business.

Three Year History of Capital Raised to Support the Company

To support the consumer finance and engagement initiatives, the Company has been active in managing its capital structure. In doing so, it has completed the transactions as outlined below:

Debentures

2017 Convertible Debenture
On June 18, 2015, the Company closed a private placement for $1.5 million worth of convertible debentures. These debentures were originally due on June 18, 2017, bore interest at the rate of 12% per annum and were convertible into common shares of the Company, at the option of the holder, at a conversion price of $0.19. These debentures were all converted into common shares in 2015 and 2016.

Senior Secured Debentures
On December 22, 2017, the Company issued 12,000 non-convertible senior secured debentures with a face value of $1,000 each under a non-brokered private placement. The debentures were sold at a 10% discount on closing, with cash proceeds of $10.8 million and a term of 24 months. The debentures bore interest at 6.0% per year, and were secured by the Company's right, title and interest in all securities in Impact Mobile, and were redeemable at any time on 30-day advance written notice. The Company also issued a total of 48 million share purchase warrants to the holders of the debentures at the rate of 4,000 warrants for each $1,000 in the face value of the debenture. These warrants were exercisable at $0.12 per share and had an initial term of 24 months with an acceleration clause if Dealnet's common shares achieved a 10-day volume weighted average prices above $0.20. On the completion of the sale of Impact Mobile, these debentures were repaid in full out of the proceeds and the expiry date of the warrants was accelerated to December 22, 2018 to comply with the requirements of the TSXV. The warrants all expired unexercised.

Common Share Private Placements

On February 5, 2016, the Company closed a bought deal private placement of 54,545,700 subscription receipts at a price of $0.55 per subscription receipt for gross proceeds of $30 million. Each subscription receipt entitled the holder to receive one common share of the Company in exchange for each subscription receipt upon satisfaction of certain escrow release conditions, including the satisfaction or waiver of all conditions precedent to the closing by the Company of the acquisition of EcoHome, provided that the conditions had been satisfied by March 31, 2016. The subscription receipts were exchanged for common shares on the completion of the acquisition of EcoHome on February 16, 2016.

On August 24, 2016, as part of the consideration for the purchase of mobile messaging contracts, the Company issued 543,921 common shares valued at $294 thousand.

On December 22, 2016, upon the exercise of 1,070,181 broker compensation options, the Company issued an equal number of common shares and 535,090 warrants. These broker compensation options were originally issued as part of a brokered private placement completed in August of 2015.

During 2016, the Company issued 764,072 common shares valued at $435 thousand to two independent parties as payment for advisory services.

On January 13, 2017, the Company issued 12,523,364 common shares valued at $5.5 million as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million. These common shares were subject to a three-year timed-release escrow which commenced on closing. The terms of this release were amended in 2018 which resulted in 1,473,336 common shares being cancelled as part of the settlement with the vendor to address uncollectible receivables in the portfolio of consumer finance lease contract and all of the remaining common shares being released from escrow on August 20, 2018.

During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds of $400 thousand. In addition, the Company issued 999,819 common shares and 499,909 warrants.

In April 2018, the Company issued 2,777,777 common shares to settle transaction costs of $300 incurred on the issuance of the $12 million senior secured debentures.

Preferred Shares

The Company issued 10,662 preferred shares in 2018 for $267 thousand, which were subsequently redeemed upon the sale of Impact Mobile.

Warrants

During 2016, 38,314,245 warrants were exercised with a weighted average exercise price of $0.33 each for total cash proceeds of $12.52 million.

During the first quarter of 2017, a total of 7,427,499 common shares were issued upon the exercise of an equal number of warrants with a weighted average exercise price of $0.50 for cash proceeds of $3.7 million with a book value of $6.0 million; the difference was charged to Contributed Surplus.

As at December 31, 2018, the Company had 2 million warrants outstanding with an exercise price of $0.67. Subsequent to year-end, these warrants expired.

Options

During 2016, the Company issued 757,167 common shares from the exercise of employee stock options at a weighted average exercise price of $0.26 each for cash proceeds of $198 thousand.

During 2017, the Company issued 106,675 common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 each for cash proceeds of $30 thousand.

No options were exercised in 2018.

NARRATIVE DESCRIPTION OF THE BUSINESS

Dealnet is a non-bank lending company focused on using its expertise and technological capabilities within its proprietary, scalable, consumer engagement and lending platforms to become a dominant player in the specialty consumer lending market. The Company targets quality lending niches in this market by using its technology platforms, dealer portal technology and its growing dealer/OEM network to efficiently originate, fund and service long duration loans and leases. As this portfolio of finance assets accumulates over time, it is expected to drive sustainable growth in revenue, gross profit and earnings as a result of the long duration nature of the assets. The accumulation of these assets increases margin on a predictable basis over the long term.

The Company conducts its business activities through subsidiary companies in Canada and the United States. The engagement segment operates both in Canada and the United States. The consumer finance segment operates only in Canada.

Consumer Finance Segment

These operations are focused on providing home improvement financing for consumers across Canada, through both lease and loan product offerings. The Company strives to be the go-to financing partner for HVAC dealers, distributors and other contractors (together, referred to as "dealers") to provide consumers a stress-free solution to achieving their home improvement needs. These financing programs and products permit the Company's network of dealers to supply a wide range of home improvement products with related financing options under 4 main verticals: HVAC, water-treatment, home renovation (doors, windows, and other) and pools and spas. Recently the Company has been seeking to expand its product offering to also encompass new home construction.

The Consumer Finance segment generates fee income and net finance income on the loans and leases that it holds on the balance sheet. The vast majority of these finance assets have a term to maturity of up to ten years. The majority of these contracts are seasoned in the Company's warehouse funding facilities before being permanently funded through the securitization conduits that the Company has established with its bank and life insurance funding partners. The net finance income earned on these loans and leases is primarily represented by the difference between the interest yield that these assets earn and the interest cost that the Company pays under its various funding arrangements. The Consumer Finance Segment also earns fee income from administration and portfolio management services that it provides to its customers and dealers.

Consumer Finance customers must be homeowners and satisfy certain credit requirements. The Company's origination mix is diversified by customer, origination source and ticket size. Leases generally have 120-month terms, and to protect the useful life of the HVAC equipment, are covered under a similar term warranty. The loan product is targeted at funding critical household home improvements (windows, doors, roof, etc.). These renovations are often driven by the desire of the homeowner to improve energy efficiency for the home. Loan contract terms range from 24-60 months, but the average term is shorter than the rental product. These contracts are open to prepayment and are generally repaid upon the refinancing of a mortgage or the sale of the home.

The Company originates its loan and rental product customers through an external network of dealers. Each dealer must meet customers' expectations for quality installation and, in many cases, post-installation service. New dealers are vetted during the on-boarding process and are then subject to regular monitoring. At the time of each financing, a recorded audit phone call is conducted with the customer to confirm their complete satisfaction with all work and equipment. The call also includes a review of the terms of the financing agreement. If dealers do not meet customers' expectations or have poor service track records with customers, the Company can terminate the dealer agreements. The dealer agreements also contain recourse provisions in instances where dealers do not meet customer or financial requirements. The Company manages the dealer relationships through day-to-day servicing and reporting requirements combined with ongoing volume and performance monitoring. The Company has been successful in attracting and retaining relationships with significant origination sources.

The Company has developed a proprietary credit score card that combines the customer's credit bureau data, home ownership details, and transaction details to produce accurate and predictable credit decisions. If a transaction decision cannot be automatically approved or declined, it is manually reviewed by credit analysts.

Once a loan contract has been originated, the Company uses a private securitization model to finance the contract. Pursuant to the securitization process, the Company sells the future payment stream of a group of rentals and/or loans to a funder such as a life insurance company or a bank. The future stream is discounted at the time of funding - the tranche - and a percentage is held back in a loss reserve pool. The Company also utilizes warehousing and term debt facilities to provide a more diversified funding base. In certain cases, the Company also owns these 'end of term' payments such that while the equipment on a 10-year lease may be in good working order at the end of 10 years, the customer may elect to continue on a month-to-month basis and maintain the equipment in their home. Ongoing end of term payments have no direct underwriter principal and interest costs associated with them and as a result, net of billing and collecting costs, these payments are effectively all cash flow to the Company. The Company's finance receivable portfolio is young and therefore the Company does not expect to benefit from these payments in the near term.

The Company is also able to leverage its technology platform to connect the dealers who sell and install the products to the end consumers who need financing. The platform includes lead management, credit approvals, funding, billing, collections, data and analytics. The Company provides end-to-end servicing for its consumer portfolio, including billing, collections, adjudication, credit and risk management and treasury services.

Finally, the Company can leverage its Live Engagement platform to provide ancillary engagement services, such as call centre solutions, to help dealers gain an opportunity to engage a larger market presence at a fraction of the cost of in-house delivery systems. These complimentary offerings will allow the Company to build long-lasting relationships with their dealer network, which will assist in driving origination volume. The Live Engagement segment also provides support with its sales force as well as its collection efforts.

Risk Management

The Credit and Risk Committee of the Company's board of directors oversees the Company's credit practices and procedures and monitors the Company's funding portfolio. The Company's credit criteria are now embedded in its lending platform. This ensures that the quality of the loans and leases that the Company underwrites with each dealer meet the standards as determined by the Credit and Risk Committee. In addition to maintaining credit quality, the Company also adopts practices that help to ensure that delinquent accounts are either restored to performing status or recovered through the legal remedies at the Company's disposal.

As part of Dealnet's credit risk management practices, in all provinces except for Quebec, the Company registers a Notice of Security Interest ("NOSI") on all eligible finance receivable contracts with a value greater than $15 thousand or at the later of, inception of the contract, or at any time that a contract becomes past due for more than 30 days. Given the different legal environment to the rest of Canada, NOSI's are not available in Quebec.

Registering the NOSI ensures that Dealnet's consent is required before the homeowner can refinance or sell the property on which the NOSI has been registered. This entitles Dealnet to request full payment of its account balance plus accrued interest, and in certain cases a make-whole payment, prior to releasing its security interest. While this process can take several years until the property is either sold, or the mortgage refinanced, the NOSI provides the Company with a high degree of confidence of recovery against delinquent accounts. The Company has fully recovered on delinquent accounts through this process in the past.

In the home improvement lending industry, it is not uncommon to see delinquencies that are higher than other classes of consumer lending. However, these reported delinquencies are not entirely credit related, but can also be the result of a dispute at the conclusion of a home improvement project when the homeowner may be unsatisfied, for a variety of reasons, with the work performed by the dealer. This requires the dealer to send the contractor back to the home to fix the problem to the homeowner's satisfaction. Depending on the type of installation, this can take from several weeks to months, if the project requires custom fabrication of materials or is weather dependent. In the meantime, the account goes into arrears and is recorded as a delinquency. Disputes can take several months to resolve particularly if permits or other municipal inspections are required to complete the work to the satisfaction of the consumer.

Funding Facilities

Dealnet does not rely on short-term retail deposits or short-dated commercial paper to fund its portfolio of finance assets. In place of the retail deposits of a typical bank, the Company has established multiple integrated funding facilities to provide the debt capital required to support its growing portfolio of finance assets. Initial funding for a newly originated consumer loan is provided by the Company's warehouse facilities. As additional loans/leases are originated through the Company's dealer network, they are funded through warehouse facilities until the pool of contracts is sufficiently large and diversified that it can be efficiently transferred to one of the Company's established securitization facilities. The Company continually assesses its funding sources and will continue to expand, renew, or add facilities to support long term business goals.

When the assets are transferred to a securitization facility, Dealnet receives cash which it then uses to replenish the applicable warehouse facility. As the Company's portfolio has grown it has successfully expanded the capacity of its warehouse facilities and its securitization facilities to ensure that it has sufficient liquidity to fund its expected growth. Both the securitized contracts, and the funding supplied by the Company's warehouse and securitization facilities, remain as assets and liabilities respectively on the Company's balance sheet.

Some recent changes to the Company's funding facilities include:

- Subsequent to the year end, in February 2019 the Company entered into a twelve-month credit facility of $10 million with a private lender. This interim credit facility will finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility is established. The credit facility bears interest of prime rate plus 8.05%. To date, the Company has borrowed $5 million under this facility;

- In November 2018, the Company renewed an existing facility with a Schedule 1 bank, which includes a new warehouse facility of $5 million, which was not utilized until February 2019;

- In October 2018, the Company renewed an existing facility with a major Canadian life insurance company. The renewal allows for a broader range of consumer home improvement products eligible for financing; and

- In November 2017, the Company entered into a new $15 million warehouse facility with the above noted Canadian life insurance company. As at December 31, 2018, the Company has utilized $11.2 million of this facility.

As a result of this funding strategy, the Company's cash balances will decrease and finance receivables will increase when it originates or acquires new loans and leases. These cash balances are then replenished when the finance receivables are securitized.

Engagement Segment

At the end of 2018, the Engagement call centre business consists of One Contact Canada Inc. and One Contact Inc. (collectively, "One Contact") based in Toronto, Ontario and Reno, Nevada. One Contact operates outsourcing centres in North America, providing customers with solutions for service requirements, such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. One Contact provides these services to major brands both in Canada and the United States. The company primarily markets its engagement services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have large consumer populations that require ongoing customer services, including e-commerce support, technical support and loyalty support services, all of which are provided by One Contact on a white label basis. Revenue is typically recognized in the period in which calls are received and services are performed based on staffing hours or the number of contacts/calls handled by service agents using contractual rates.

Future Outlook

Up to the first quarter of 2017, the Company, through its newly acquired subsidiaries, was focused on rapidly growing its consumer finance portfolio. However, due to the aggressive sales practices of certain of these acquired direct selling dealers, the Company proactively ceased funding these dealers who represented approximately 70% of the annual volume. After these actions, growth in the Company's consumer finance portfolio slowed significantly. This, combined with the on-going losses of Gemma, resulted in the Company experiencing severe liquidity pressures during 2017. On October 27, 2017, the Board of Directors engaged Brent Houlden as the interim CEO to lead a corporate turnaround. As of the end of the third quarter of 2018, the turnaround was complete and the Company is concentrating on the profitable growth of EcoHome and One Contact, continuing on the path to profitability and building shareholder value.

Driving profitable growth in Consumer Finance

Dealnet's top priorities in 2019 are to drive sustainable profitability in the Consumer Finance segment and include:

- Substantially growing the origination volume from the 2018 level of $44.4 million;
- Increasing the Company's fee revenue, an underutilized revenue source which is non-capital intensive;
- Establishing an inside sales force of sales professionals to complement the efforts of our current outside sales force;
- Focusing on fully serving the dealer needs for credit:
    - Simplified consumer interest rate card to facilitate the dealer's sales process;
    - Offering loans and leases;
    - Instant credit adjudication;
    - Best dealer experience;
    - Paperless solutions and eSignature capabilities; and
    - Special programs for high volume dealers to ensure 'first looks', year-round;
- Implementing further operational efficiencies to drive performance and reduce overhead costs; and
- Scaling the Company's earning asset base to profitable levels.

Maintaining the profitability of the call centres

One Contact is a profitable segment which provides free cash flow to fund other operations. For 2019, One Contact plans to: continue to retain its current customers; win new ones; and become a critical partner to the Consumer Finance segment by providing needed engagement services to its dealer and customer network.

Focusing on delinquent accounts

The Company has continued its focus to reduce the value of overdue accounts by expanding the internal collections team, utilizing third-party collection agencies in a judicious manner, initiating legal action when necessary, and ensuring delinquent accounts are dealt with before reaching the 90-day mark to maximize the probability of full collection.

Over the past year, the collection efforts of the Company have been focused on reducing further defaults by targeting early delinquencies and reducing the migration to longer past due dates. With this approach, the Company has made progress in improving overall delinquencies less than 90 days to 2.0% of the overall portfolio at December 31, 2018 as compared to 2.7% at December 31, 2017.

Proactively managing liquidity

Dealnet has established multiple integrated funding facilities to provide the funding required to support its growing portfolio of finance assets. As transactions are originated through the Company's dealer network, they are funded through the warehouse facilities until the pool of loans is sufficiently large, diversified and seasoned that it can be efficiently transferred to one of the Company's established securitization facilities for permanent funding.

As the Company's portfolio has grown, it has successfully expanded the capacity of both its warehouse facilities and its securitization facilities. The Company will continue to proactively manage and grow its funding base to ensure that it has sufficient liquidity to fund its anticipated growth of originations.

The Company is also monitoring its expected future contractual residual cash flow from its finance receivables after repaying outstanding debentures and securitization facilities. These funding facilities require the Company to pay the cash flow from these collateralized receivables to our funders until the related debt has been completely paid. At that point, any remaining contractual residual cash flow and funder cash reserves will flow to the Company. Finance receivables experience on-going attrition and early prepayment by consumer borrowers, which accelerates the repayment of debt but also affects the amount of future residual cash flows. The expected contractual residual cash flow is unencumbered and does not include any customer payments after the contracts expire (i.e., End of Term).

Business Cycles

The Company's live engagement segment can be seasonal with lower volumes in summer months as well as December and January and higher volumes in the remaining months. The home improvement sector, which is a major driver of origination volumes, can be influenced by weather and holidays; and the consumer finance segment has shown seasonality with higher volumes commencing in late spring through to mid-fall.

Systems and Processes

Dealnet maintains a thorough information technology system to monitor and control its operations. The Company also maintains a central information technology system to manage the consumer loans receivable portfolio, customer information and lending transactions.

The Company has developed custom risk models based on behavioural attributes unique to the Company's consumer population. These models, which leverage a broad array of data, provide the Company with the ability to manage volume and profitability in response to real-time changes in growth objectives, risk appetites and market conditions.

Additionally, Dealnet operates Payment Card Industry ("PCI") certified facilities and data management strategies designed to protect consumer data. This important aspect of lending is often overlooked by FinTech companies due to the expense and rigor associated with annual third-party audits and with maintaining and demonstrating best practices for execution as a method of doing business. PCI certification is adherence to a set of specific security standards that were developed to protect credit card information during and after a financial transaction. PCI compliance is required by all card brands and now remains the benchmark in many operations for protecting customer data. There are six main requirements for PCI certification. The vendor must: build and maintain a secure network; protect cardholder/customer data; maintain a vulnerability management program; implement strong access control measures; regularly monitor and test networks; and, maintain an information security policy.

Employees

As at December 31, 2018, the Company had 314 employees. At the date of this Annual Information Form, the Company has 315 employees. As of December 31, 2018, the headcount for salaried employees had been reduced to 73 from 153 at December 31, 2017. The majority of the Company's hourly workforce are in the call centres. The number of hourly paid employees fluctuates depending upon One Contact's client needs. The decrease from December 2017 was driven by the liquidation of Gemma. Employee headcount is summarized as follows:

	March 2017	June 2017	September 2017	December 2017	March 2018	June 2018	September 2018	December 2018
Salaried	162	163	164	153	116	86	74	73
Hourly	410	360	372	503	234	200	214	241
Total	572	523	536	656	350	286	288	314

Competitive Landscape

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources but relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. Dealnet believes that there is significant demand for the products it offers in the

Canadian marketplace, including the demand for consumer financing, which historically was satisfied by the consumer lending arms of large, financial institutions. Dealnet's consumer finance business faces competition for customers not only from banks, but also from consumers who prefer to pay for their products and services on credit cards.

Furthermore, the Company competes with other similar corporations for qualified executives, employees and agents. Competition for the best people is intense and an inability to recruit qualified individuals may negatively impact the Company's ability to execute on business strategies or to conduct its operations.

Regulatory Matters

Consumer protection legislation in the provinces in which the Company operates specify that if the Company's business involves future performance agreements, leases with terms of a specified length, the sale of goods or the provision of credit, as defined in certain of such legislation, the Company may be required to comply with various additional disclosure requirements, including in some instances disclosure requirements concerning the costs of purchase and credit. The Company believes that it is currently compliant with such disclosures and retains outside legal counsel for opinions on its various forms of consumer lending agreements to ensure compliance.

Legal Proceedings

The Company is involved in various legal matters. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance, cash flows or reputation.

Risk Factors

Overview

The Company's activities are exposed to a variety of business, operational, financial, credit and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Audit Committee and the Credit and Risk Committee of the board of directors review the Company's risk management policies on an annual basis.

Liquidity Risk

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of secured borrowings, debentures, and notes payable. In addition, a growth in origination volume requires the use of upfront cash. The exposure to secured borrowings is primarily managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements. With respect to debentures, notes payable and origination growth, the mitigation of liquidity risk is dependent on the Company's ability to extend current debt facilities or to raise additional funds through secure private debt placements or equity.

Inadequate Access to Financing

In order to continue to meet its day-to-day operating needs and realize its growth plans, the Company must be able to continue to access funding from its current securitization and warehouse partners and it must be able to continue to raise additional financing to meet future corporate cash needs within the constraints of its current corporate tangible ratio target of 10:1.

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

To fund its growth plans, the Company will be dependent upon cash flow expected to be provided by existing funding facilities, coupled with increased loan facilities to meet operational requirements, purchase leased assets, meet capital spending requirements and satisfy financial obligations. The Company is able to manage the growth of its consumer finance receivable portfolio based on the amount of available financing.

Dealnet has publicly stated that it intends to significantly expand its consumer lending business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Concentration of Funding Sources

The Company has obtained secured borrowings from a number of financial institutions. Dealnet's reliance on such financial institutions for a significant amount of its funding exposes the Company to funding risks. If these financial institutions decided to terminate or not extend these secured borrowing arrangements, Dealnet's operations could be materially adversely affected.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash and cash equivalents, restricted cash, trade receivables, due from dealers and finance receivables. The carrying amounts of financial assets represent the maximum credit exposure. Cash accounts are maintained with major international financial institutions of reputable credit and, therefore, bear minimal credit risk.

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks.

The Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board. The Credit and Risk Committee of the Board has established credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs. In addition, credit risk is monitored daily by management and reviewed quarterly by the Credit and Risk Committee of the Board.

The Company mitigates credit risk by performing the following: 1) by assessing the borrower's capacity and willingness to pay through its underwriting policies; 2) by ensuring that all contracts greater than $15 thousand or that are delinquent are registered with a Notice of Security Interest ("NOSI"); and 3) for the lease portfolio, establish dealer reserves provided by the home improvement dealers from which the Company acquires the leases. Although the NOSI is essentially a lien on the borrower's property, it does carry limited enforcement rights. Therefore, the Company has established strong and proactive collection processes, including expanding the internal collections team, utilizing third-party collection agencies in a judicious manner, initiating legal action when necessary, and ensuring delinquent accounts are dealt with before reaching the 90-day mark to increase the probability of full collection.

Fraud

The Company makes every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud. New entrants to a market are often targeted by organized groups seeking to take advantage of lenders perceived to be less experienced in preventing fraud. In addition, the Company can be impacted by fraudulent practices by dealers from which it acquires loan and lease contracts. In cases of fraud, it is difficult and often unlikely that the Company would be able to collect amounts owing under a lease or loan. Increased rates of fraud could have a material adverse impact on the business, financial condition and results of the Company. Dealing with fraudulent events can create other risks in the Company, such as (i) placing significant demands on management, diverting their attention from the existing businesses; (ii) requiring substantial financial resources that otherwise could be used in the development of other aspects of the business; and (iii) the risk that unexpected liabilities and contingencies could arise that could be significant to the operations of the Company.

Availability of Equity to Support Leverage

The Company has publicly stated that it intends to significantly expand its consumer finance business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

History of Losses and Negative Operating Cash Flows

The Company has historically generated net losses and negative operating cash flows. The Company has sustained itself by raising cash from financing activities. In order to support its strategic objectives, the Company will also need to generate and sustain increased revenue levels, achieve sustained and growing profitability and manage costs in future periods. It is the Company's intention to expand both the consumer finance and engagement businesses to achieve these objectives. It is difficult to forecast that all of the Company's plans and strategies will be successful and achieve its objectives. Failure to achieve profitability and other objectives may have a negative impact on the Company's market price.

Customer Complaints

Dealnet's reputation is very important for attracting new dealers to its platform. Conversely, the reputation of the Company's dealer network is very important in attracting potential customers. Dealnet enjoys a good reputation and provides customers with a superior experience. However, there can be no assurance that the Company will continue to maintain a good relationship with its dealer network, or customers, or avoid negative publicity. Damage to reputation, arising from the conduct of business, negative publicity, regulatory enforcement, security breaches or otherwise could have a material adverse effect on the Company's reputation and business. Damage to reputation can also arise from the conduct of the third-party dealer network. If a dealer, or any other third party that Dealnet outsources to, misuses customer funds, personal information, or fails to follow protocols for interacting with customers, the Company by reference, can be perceived to have facilitated or participated in the action leading to a customer complaint that could potentially damage Dealnet's reputation. It is not always possible to identify and deter misconduct or errors by employees, dealers, or third-party service providers, and the precautions the Company takes to detect and prevent such activities may not be totally effective.

Competition

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources, but relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. There can be no assurance that the Company will be able to continue to compete successfully in its markets. Because the Company competes, in part, on the technical advantages and cost of its products and services, significant technical advances by competitors or the achievement by such competitors of improved operating effectiveness that enable them to reduce prices could reduce the Company's competitive advantage in these products and services, and thereby adversely affect the Company's business and financial results.

Culture, Brand and Reputation

The Company's culture, brand and reputation are critical to the Company's success. The Company's brand is its service promise remembered, the Company's culture is how it fulfils that promise and the Company's reputation is its success in fulfilling that promise. All are very important in attracting new employees, dealers and customers to the Company's platform, as well as in retaining employees and dealers. Any damage to the Company's reputation, arising from conduct outside the Company's cultural expectations could have a material adverse effect on the Company's brand and the Company's business.

Reliance on Third Party Vendors

Dealnet recognizes that contracting with an outside third party subjects the Company to risks with the potential for significant financial and reputational harm, such as from fraud, breach of contract, error, breach of confidentiality, data loss and so on. The risks associated with vendor relationships can be unique and vary depending on the vendor as well as the service or process outsourced. The Company performs due diligence on potential vendors, which requires a reasonable inquiry to verify the background, performance history and financial health of vendors being considered to provide goods or services. This due diligence provides the Company with the information needed to address the possible risks presented by potential vendors and put in place reasonable restraints to mitigate against such an event.

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. In particular, the Company is dependent on the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could materially adversely affect its business and operations. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining all such personnel as it may require. If the Company were unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected.

Strategic Risk

The Company believes it has the correct strategy to address the current market opportunities. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional dealer relationships, to grow its consumer finance receivable portfolio, to access customers through new delivery channels and to execute with efficiency and effectiveness.

Strategic risk can come from changes in the business environment, fundamental changes in demand for the Company's products or services, implementation of inappropriate decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape. The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. These customers can be affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss rates and adversely affect the Company's performance, financial condition and liquidity. The Company cannot predict the impact that current economic conditions, positive or negative, will have on its future results, nor can it predict when such economic events may occur.

Systems and Processes

Dealnet is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially affect the Company's ability to enter into new lease or lending transactions and service customer accounts. Although the Company has extensive information technology security plans and disaster recovery plans, if sustained, such a failure could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in Dealnet's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action. The Company continues to invest in these areas and expects to on an ongoing basis, including having third party audits conducted to assess gaps and future investments strategies.

Concentration of Leases and Loans

The Company currently specializes in financing home improvement products, mostly in Ontario. As the Company expands nationally, the portfolio may develop other concentrations of risk exposure related to other regions of the country. If a specific region in which Dealnet has developed a concentration of leases and loans experiences adverse economic or business conditions, the Company's delinquencies, default rate and charge-offs in those regions may increase, which may negatively affect its financial condition and results of operations.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

Large competitors may also take advantage of existing regulation, impending regulation or power to influence or propose new regulations to create barriers to entry for new market entrants such as Dealnet. The Company is currently aware of proposals from large regulated financial institutions to create new regulations with respect to where a customer may legally conduct borrowing activities designed to force borrowers into their extensive branch networks. Should such regulation be enacted, competitive financial businesses may not be able to compete unless they also build an extensive physical presence.

Privacy, Information Security and Data Protection Regulations

The Company is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws, which may increase the Company's cost of compliance. While the Company has taken reasonable steps to protect its data and that of its customers, a breach in the Company's information security might adversely affect the Company's reputation and also result in fines or penalties from governmental bodies.

Litigation

From time to time, the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Possible Volatility of Stock Price

The market price of the Company's common shares, similar to that of many other Canadian companies, has been subject to significant fluctuation in response to numerous external factors, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the common shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of common shares or the availability of shares for future sale (including shares issuable upon the exercise of warrants and stock options) will have on the market price of the common shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the common shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without significant dilution to existing shareholders.

Leverage, Restrictive Covenants

The Company has third party debt service obligations under their respective credit facilities. The degree to which subsidiaries are leveraged could have important consequences to the Company's shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries is dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Financial Reporting

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets and Goodwill could be diminished in the future.

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

Interest Rate Risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. However, a change in interest rates would not currently significantly affect results or the equity of the Company as all interest-bearing financial instruments are fixed-rate instruments. However, as the Company increases in size and complexity, there is a greater risk that an unmanaged or unassessed interest rate risk exposure could adversely affect the interest margin, profitability and capital.

In order to manage interest rate risk, the Company operates using a clearly identified set of policies, procedures and interest rate risk management models. Dealnet also manages and controls interest rate risk by setting limits on the amount of risk it is willing to accept for counterparties on securitizations and other funding sources. The Company's board of directors has established and monitors interest rate risk related policies and guidelines taking into account business objectives, risk appetite, planned financial performance and risk profile.

Currency Risk

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to loss for the year. As at December 31, 2018, the Company did not hedge any currency exposures.

No Payment of Dividends in the Foreseeable Future

The Company does not intend, in the foreseeable future, to pay dividends on the common shares, and shareholders should not expect to receive any dividends on their investment in the foreseeable future. The Company believes the return on equity and cash is too high during the growth phases to distribute cash. The Company will consider paying dividends on the common shares when circumstances permit, having regard to, among other things, earnings, cash flow and financial requirements, as well as relevant legal and business considerations. Any future payment of dividends to holders of common shares will depend on decisions that will be made by the Company's board of directors and will depend on then existing conditions, including the Company's financial condition, contractual restrictions, capital requirements and business prospects.

Relationship with Active Dealers

Dealnet has formed relationships with HVAC and home improvement product manufacturers, and with dealers who operate in the same product markets. The Company relies on these relationships to generate applications and originations. The failure to maintain cooperative and effective relationships with its manufacturers, dealers and other origination sources or decisions made by the aforementioned to refer transactions to, or to sign contracts with, other financing sources could impede Dealnet's ability to generate transactions.

Management of Rapid Growth

The Company has grown rapidly in the consumer finance business and has otherwise restructured its operations dramatically. Such growth and change may place significant demands on Dealnet's management, operations, credit underwriting, treasury and financial resources. The organizational structure will become more complex, with additional staff and expenses, and the need to improve operational, financial, management and compliance controls as well as the Company's reporting systems and procedures. Future growth will depend on the Company's ability to maintain an operating platform and management systems sufficient to address growth, as the Company may face challenges in the: (i) maintenance of adequate financial and business controls; (ii) the management of the credit underwriting process and monitoring credit risks; (iii) implementing or updating information and financial systems, and procedures; and (iv) the training, management and sizing of its work force and other components of its business on a timely and cost-effective basis. Failure to manage growth adequately could adversely affect Dealnet's ability to generate revenue and control expenses.

Monetary and Fiscal Policy

The Company's earnings are affected by the monetary policy of the Bank of Canada and the fiscal policy of the Federal government of Canada and other governments in Canada and abroad. Changes in the supply of money, government spending and the general level of interest rates can affect the Company's profitability. A change in the level of interest rates will affect the interest spread between the Company’s finance receivables and funding cost and, as a result, will impact the Company’s net interest income. Changes in monetary and fiscal policy and in the financial markets are beyond the Company's control and are difficult to predict or anticipate. However, the Company follows the principle of matching its borrowings and related costs of money with its portfolios’ projected revenues to mitigate the impact of such changes in interest rates.

Managing Possible Acquisitions

Dealnet does not currently have any binding agreement or commitments to acquire any businesses. However, the Company does seek opportunities to acquire or invest in businesses that could expand or complement the existing consumer finance or engagement businesses, or future businesses. Dealnet may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third-parties to address particular market segments. The successful integration of acquired businesses can entail numerous risks that could adversely affect the growth and profitability of the Company. These risks include: (i) the risk that management will be unsuccessful in managing the acquired operations; (ii) that any integration may place significant demands on management, diverting their attention from the existing businesses; (iii) that existing operating, financial and management systems may be incompatible with or inadequate to effectively integrate; (iv) that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business; (v) the risk that acquisitions may result in unexpected liabilities and contingencies that could be significant to the operations of the Company; (vi) that personnel from the acquired and the existing business fail to work together; and (vii) the risk that the acquisition may not be accretive to the Company, which could dilute the interests of the Company’s shareholders. Any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to future earnings associated with any acquisition, may materially reduce the Company’s earnings, which, in turn, may have an adverse material effect on the price of the Company’s shares. The Company cannot be sure that an acquisition will ultimately strengthen its competitive position or that such acquisitions will be viewed positively by customers, analysts or investors.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares with no par value and an unlimited number of preferred shares issuable in series.

The issued and outstanding capital of the Company as at December 31, 2018 consisted of 282.5 million common shares.

Common Shares

The following is a summary of the principal attributes of the common shares.

Each common share entitles the holder: (i) to one vote at all meetings of shareholders (except meetings at which only holders of a specified class of shares are entitled to vote); (ii) to receive, subject to the holders of another class of shares, any dividend declared by Dealnet; and, (iii) to receive, subject to the rights of the holders of another class of shares, the remaining property of Dealnet on the liquidation, dissolution or winding up of Dealnet, whether voluntary or involuntary**.**

Preferred Shares

In October of 2015, the Company amended its articles to authorize the creation of a class of preferred shares issuable in series. The main purpose of the creation of the preferred shares is to provide the Company with greater flexibility in its capital structure and in raising future capital for use in the Company's business and operations or in connection with acquisitions of other businesses or properties.

10,662 preferred shares were issued with value of $267 thousand in June 2018. They were subsequently redeemed in July 2018.

The following is a summary of the principal attributes of the authorized preferred shares, none of which are outstanding.

Issuable in Series

The preferred shares may at any time, and from time to time, be issued in one or more series, in accordance with and subject to the provisions of the *Business Corporations Act (*Ontario*)* (the "Act").

The directors of the Company shall, subject to the provisions of the Act, the provisions herein contained, and any conditions attaching to any outstanding series of preferred shares, by resolution duly passed before the issue of any preferred shares of any series, fix the number of shares and determine the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of such series, which may include, without limitation, any voting, conversion or redemption rights.

Priority on Dividend Entitlement and Return of Capital

So long as any preferred shares are outstanding, the holders of the preferred shares of each series shall rank both with regard to dividends and return of capital in priority to the holders of the common shares and over any other shares ranking junior to the holders of the preferred shares, and the holders of the preferred shares of each series may also be given such other preferences over the holders of the common shares and any other shares ranking junior to the holders of the preferred shares as may be determined as to the respective series authorized to be issued.

The priority, in the case of cumulative dividends, shall be with respect to all prior completed periods in respect of which such dividends were payable plus such further amounts, if any, as may be specified in the provisions attaching to a particular series and in the case of non-cumulative dividends, shall be with respect to all dividends declared and unpaid.

Priority between each series of Preferred Shares

The preferred shares of each series shall rank *pari passu* with the preferred shares of every other series with respect to priority in payment of dividends and return of capital in the event of any liquidation distribution.

Dividends

The Company has never declared nor paid a dividend on the common shares.

The current dividend policy of the Company is not to declare and pay cash dividends. The Company's dividend policy and practice will be reviewed from time to time in the context of the Company's earnings, financial condition, the need to retain earnings to fund future growth of the business of the Company and other relevant factors, and the declaration of a dividend will always be at the discretion of the Company's board of directors.

MARKET FOR SECURITIES

The Company's common shares are listed on the TSX Venture Exchange under the symbol "DLS". The following table sets forth the reported intraday high and low prices and the trading volume for the common shares on a monthly basis for 2018:

Month	Volume of Shares Traded (#)	Low ($)	High ($)
January	8,345,054	0.095	0.120
February	2,177,565	0.105	0.120
March	2,395,384	0.075	0.125
April	2,339,937	0.075	0.090
May	2,858,450	0.075	0.095
June	2,300,240	0.075	0.100
July	4,157,250	0.080	0.115
August	2,292,332	0.080	0.090
September	3,402,062	0.075	0.085
October	7,401,434	0.075	0.080
November	16,220,015	0.075	0.085
December	1,455,550	0.075	0.080

DIRECTORS AND EXECUTIVE OFFICERS

Under the by-laws of the Company, directors of the Company are elected annually. Each director holds office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws. The directors were elected at the Annual General and Special Meeting held June 26, 2018.

Name, Address, Occupation and Security Holdings

The names, provinces or states of residence, positions, principal occupations and shareholdings of the directors and executives of Dealnet as at December 31, 2018 were as follows:

Name and Place of Residence	**Principal Occupation(s) (for the past five years or more)**	**Became a Director or Executive Officer**	**Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised**
Harold Bridge Ontario, Canada	**Director** (1) (2) (5) (7) CEO of Kathar Enterprises Inc. (corporate finance advisory services)	June 2015	1,916,280
Brent Houlden Ontario, Canada	**Director and Chief Executive Officer** Consultant and Financial Advisor at CR Advisors Inc. (professional services) Former Interim CFO: Danier Leather Inc. (retailer) Former partner of Deloitte LLP (professional services)	June 2015	1,407,028
Joanne De Laurentiis Ontario, Canada	**Director** (3) (4) (7) Corporate Director	June 2017	446,300
Richard Carl Ontario, Canada	**Director** (3) (5) (6) Independent Businessman and Corporate Director Former President and COO of AGS Capital Corp. (financial services) Former Executive Chairman of Canada Fluorspar Inc. (mining)	March 2017	946,080
Michael Koshan Ontario, Canada	**Chief Financial Officer & Treasurer** Former consultant to Element Financial Former CFO of Trend Financial	October 2016	62,000
Kathryn Houlden Ontario, Canada	**Senior Vice President, General Counsel** Former corporate lawyer in private practice	January 2018	615,279
Jason Reid Ontario, Canada	**President, One Contact** Former VP, Business Development at Bill Gosling Outsourcing	October 2018	99,000

Notes**:**

(1) Chairman of the Board
(2) Chair of the Audit Committee
(3) Member of the Audit Committee
(4) Chair of the Compensation & Governance Committee
(5) Member of the Compensation & Governance Committee
(6) Chair of Credit and Risk Committee
(7) Member of Credit and Risk Committee

As of December 31, 2018, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, approximately 1.9% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Penalties and Bankruptcies

To the best of the Company's knowledge, no director or executive officer is, at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or chief executive officer or chief financial officer of any corporation (including the Company) that, while that person was acting in that capacity,

(i) was subject to an order that was issued while the proposed director was acting in the capacity of director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above section, the term "order" means:

(iii) a cease trade order;

(iv) an order similar to a cease trade order; or

(v) an order that denied the relevant corporation access to any exemption under securities legislation

that was in effect for a period of more than 30 consecutive days.

Except as disclosed below, to the Company's knowledge, no director of the Company is or has been, within the 10 years before the date of this Annual Information Form, a director or executive officer of any Company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On July 2, 2015, Mr. Houlden was hired as the Interim CFO of Danier Leather Inc. to help with its restructuring. The company announced on February 4, 2016 that it filed an NOI to make a proposal under the *Bankruptcy and Insolvency Act* (Canada).

INTEREST OF EXPERTS

KPMG LLP, the Company's auditor, has provided an audit report on the Company's consolidated financial statements for the year ended December 31, 2018. KPMG LLP was independent of the Company in accordance with the rules of professional conduct in Ontario.

TRANSFER AGENT AND REGISTRAR

Capital Transfer Agency, located at 390 Bay Street, Suite 920, Toronto, Ontario M5H 2Y2, is the registrar and transfer agent for the Company's common shares.

MATERIAL CONTRACTS

As at December 31, 2018, there were no material contracts.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management information circular for the Company's annual general and special meeting to be held on May 22, 2019. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2018 and the accompanying management's discussion and analysis of financial condition and results of operations dated March 25, 2018.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.